

Message Text

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TAGS: ECIN, EGEN, GW

SUBJ: CHANCELLOR'S STATE OF THE NATION ADDRESS:
ECONOMIC ASPECTS

REF: BONN 01688

1. BEGIN SUMMARY: CHANCELLOR SCHMIDT'S STATE OF THE NATION ADDRESS DID NOT HIGHLIGHT ECONOMIC POLICY, BUT IT DID CONTAIN REFERENCES TO CURRENT ECONOMIC ISSUES WHICH THE GOVERNMENT CONSIDERS OF MAJOR IMPORTANCE. SCHMIDT REFERRED TO THE DOMESTIC RECESSION IN THE CONTEXT OF THE WORLD ECONOMIC CRISIS AND SAW JOB CREATION AS THE MOST IMPORTANT TASK FOR 1976. HE BRIEFLY RESTATED GERMAN ATTITUDES ON INTERNATIONAL ECONOMIC QUESTIONS, MENTIONING WITH APPROVAL COOPERATIVE EFFORTS AT RAMBOUILLET, ROME, AND JAMAICA TO ADDRESS PROBLEMS OF EMPLOYMENT AND INFLATION. HE EXPRESSED GENERAL SATISFACTION WITH THE RESPONSE OF THE EUROPEAN COMMUNITY TO THE
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RECESSION, AND EMPHASIZED THE NEED FOR CLOSE

COOPERATION BETWEEN INDUSTRIALIZED AND DEVELOPING COUNTRIES ON QUESTIONS OF WORLD ECONOMIC ORDER. END SUMMARY.

2. SCHMIDT STRESSED THAT THE WORLD RECESSION HAS NOT ONLY AFFECTED ALL INDUSTRIALIZED COUNTRIES BUT THE OIL PRODUCERS AND THE POORER COUNTRIES AS WELL. HE POINTED OUT THAT THE EAST EUROPEAN COUNTRIES HAVE NOT BEEN EXEMPT DESPITE THEIR VAUNTED PLANNED ECONOMIES AND AUTARCHIC POLICIES. THE FEDERAL REPUBLIC, HE SAID, DID NOT SIT BACK WAITING FOR INTERNATIONAL ECONOMIC RECOVERY BUT TOOK STEPS TO BRING IT ABOUT, PARTICIPATING AT RAMBOUILLET, ROME, AND JAMAICA IN CONCERTED INTERNATIONAL EFFORTS TO CONTROL INFLATION AND COMBAT UNEMPLOYMENT AND TAKING APPROPRIATE DOMESTIC MEASURES.

3. THE CHANCELLOR CREDITED HIS DOMESTIC FISCAL POLICIES WITH RESTORING A CLIMATE OF OPTIMISM AND PREPARING THE GROUND FOR A NEW UPSWING. HE OBSERVED THAT GERMANY HAS WEATHERED THE RECESSION BETTER THAN MOST COUNTRIES, THAT RATES OF INFLATION HAVE BEEN LOWER, AND THAT SOCIAL SECURITY HAS ACTED AS A CUSHION FOR THE UNEMPLOYED. JOB CREATION, HE SAID, IS THE MOST IMPORTANT TASK FOR 1976.

4. HE NOTED WITH SATISFACTION THAT, EXCEPT IN A FEW INSTANCES, THE MEMBERS OF THE EUROPEAN COMMUNITY HAVE WITHSTOOD THE TEMPTATION TO ACT INDIVIDUALLY IN COPING WITH THE RECESSION. THE YEAR HAD SEEN NO BREAKTHROUGHS TOWARD ECONOMIC AND MONETARY UNION, HE SAID, BUT PROGRESS IN INTEGRATION WAS EVIDENT IN MEASURES TAKEN BY THE REGIONAL FUND TO HELP POOR AREAS IN THE COMMUNITY, IN THE FRENCH RETURN TO THE MONETARY SNAKE, AND IN THE STEPS TAKEN TO BRING ABOUT DIRECT ELECTION OF THE EUROPEAN PARLIAMENT. HIS ONLY REFERENCE TO THE TINDEMANS REPORT WAS A REMARK APPROVING THE REPORT'S GRADUALIST APPROACH.

5. WITH RESPECT TO THE NORTH/SOUTH DIALOGUE,
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SCHMIDT STATED THAT MUTUAL UNDERSTANDING BY THE DEVELOPING COUNTRIES AND INDUSTRIAL COUNTRIES IS INCREASING DESPITE ISOLATED OUTBURSTS OF "VERBAL RADICALISM". HE STATED GERMAN POLICY IN THE DIALOGUE AS INCLUDING STABILIZATION OF EXPORT PROCEEDS OF THE POOREST COUNTRIES, BETTER MARKET ACCESS FOR THE LDCS, AND INCREASED INDUSTRIALIZATION IN THE DEVELOPING WORLD EVEN IF THIS REQUIRES ADAPTATION OF DOMESTIC INDUSTRIES.

AT THE SAME TIME, HE SAID, UNDERSTANDING AND PATIENCE
ON THE PART OF THE UNDERDEVELOPED COUNTRIES IS NEEDED,
AND THEY MUST INCREASE THEIR OWN EFFORTS.
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